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THE Demand and Price SITUATION

BUREAU OF AGRICULTURAL ECONOMICS
UNITED STATES DEPARTMENT OF AGRICULTURE

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SUMMARY

Strong consumer demand is maintaining the general level of farm product prices near record levels despite the likelihood that this year's crop production will be the largest in history. While crop prices, particularly grain prices, are trending downward in the face of the second largest wheat crop harvested and a prospective record corn production, prices for livestock and livestock products are advancing. These offsetting price trends are likely to continue for the next few months.

Commodity prices, in general, in mid-July were the highest on record. Wholesale prices of farm products in mid-July were only 2 percent below the record of mid-January, while food prices were 6 percent and nonagricultural prices 2 percent higher.

Consumer incomes continue to increase as a result of advancing employment and wage rates and are being reflected in a record value of retail store sales. Retail store inventories have declined from their all-time high at the end of March.

Although cash receipts from farm marketings in the first 7 months of 1948 were 4 percent larger than in the same period in 1947, higher production costs indicate that farmers' net income so far this year has been a little below the comparable period in 1947.

The passage of the Agricultural Act of 1948 extends, with some important modifications, the present price support program through 1949. Effective January 1, 1950 the Act provides for a new set of support price schedules.

ECONOMIC TRENDS AFFECTING AGRICULTURE

Item	Unit or base Period	1947		1948			
		Year	June	Mar.	Apr.	May	June
Industrial production 1/	1935-39						
Total.....	= 100	187	184	192	188	191	192
All manufactures.....	do.	194	191	200	195	197	198
Durable goods.....	do.	220	219	229	217	220	222
Nondurable goods.....	do.	172	168	177	177	178	178
Minerals.....	do.	149	148	142	147	162	158
Construction activity 1/.....	1935-39						
Contracts, total.....	= 100	274	237	315	315	328	
Contracts, residential.....	do.	348	284	363	377	404	
Wholesale prices 2/	1926 =						
All commodities.....	100	152	148	161	163	164	166
All commodities except farm and food.....	do.	135	131	148	149	149	150
Farm products.....	do.	181	178	186	187	189	196
Food.....	do.	169	162	174	177	177	181
Prices received and paid by farmers 3/	1910-14 = 100						
Prices received, all prod....	do.	278	271	283	291	289	295
Prices paid, int. & taxes....	do.	231	230	247	249	250	251
Parity ratio.....	do.	120	118	115	117	116	118
Consumers' price 5/ 6/	1935-39						
Total.....	= 100	159	157	167	169	170	172
Food.....	do.	194	190	202	208	211	214
Nonfood.....	do.	140	138	147	148	148	148
Income							
Nonagricultural payments 4/	Bil. dol.	174.9	172.4	184.1	183.7	184.4	
Income of industrial work- ers 3/	1935-39 = 100	332	328	358	340	348	
Factory payrolls 5/.....	do.	353	348	382	369	368	
Weekly earnings of factory workers 5/							
All manufacturing.....	Dollars	49.26	49.33	52.06	51.76	52.81	
Durable goods.....	do.	52.47	52.99	55.23	54.65	56.14	
Nondurable goods.....	do.	45.87	45.31	48.66	48.61	49.29	
Employment							
Total civilian 7/.....	Millions	58.0	60.1	57.3	58.3	58.7	61.3
Nonagricultural 7/.....	do.	49.8	49.7	50.5	50.9	50.8	51.9
Agricultural 7/.....	do.	8.3	10.4	6.8	7.4	7.9	9.4
Government finance (Fed.) 8/	Mil. dol.						
Income, cash operating.....	do.	3,906	5,295	6,472	2,960	3,330	
Outgo, cash operating.....	do.	3,428	5,193	3,871	2,956	2,868	
Net cash opr. income or outgo	do.	+ 478	+ 102	+2,601	+ 4	+ 462	

Annual data for the years 1929-47 appear on page 17 of the March 1948 issue of the Demand and Price Situation.

Sources: 1/ Federal Reserve Board, converted to 1935-39 base. 2/ U. S. Dept. of Labor, BLS. 3/ U. S. Dept. of Agriculture, BAE, to convert prices received and prices paid, interest and taxes, to the 1935-39 base, multiply by .93110 and .78123 respectively. 4/ U. S. Dept. of Commerce revised figures employing new concepts, seasonally adjusted at annual rate. 5/ U. S. Dept. of Labor, BLS. 6/ Consumers' price index for moderate-income families in large cities. 7/ U. S. Dept. of Commerce, Bureau of the Census. 8/ U. S. Dept. of Treasury. Data for 1947 are on average monthly basis.

Commodity highlights

Prices of new crop winter wheat in late July were below the loan level but are expected to strengthen as the season advances. Feed grain prices are moving down and will decline further with the harvesting of the prospective record corn crop. Prices of meat are at record highs and probably will advance further by late summer and early fall as meat production declines to the seasonal low for the year. Despite a substantial advance in retail milk prices over 1947, consumption has been maintained near last year's level.

OUTPUT AND EMPLOYMENT

Total industrial output in June increased 1 point above the May level as slight increases in activity in automobiles, machinery and some building materials more than offset declines in mineral output. The index of total production, seasonally adjusted was 192 (1935-39=100), 1 point above May and 8 points above June a year earlier. For the first half of 1948, the index averaged 192 compared with 187 in the same period in 1947.

Record peacetime rates of steel production and substantial increases in motor vehicle output from the relatively low levels of May raised total durable goods output in June despite declines in the non-ferrous metals and lumber industries caused by floods. The index of durable goods output increased 2 points in June to 222, 7 points below the previous peacetime high of 229 reached in January and March of this year.

Nondurable goods production in June continued at the May level of 178, 2 points below the record of 180 established in February. Although meat-packing activity was up sharply from May and petroleum refining activity continued to increase, there were offsetting declines in the production of textiles and paper and paper products.

Total industrial production in July was at about the June level, judging from preliminary reports. While steel operations were curtailed by labor-management disputes in coal mines operated by the steel industry, output of non-ferrous metals and lumber recovered.

Sharp seasonal increases in both agricultural and nonagricultural employment resulted in an increase of 2.6 million persons in total civilian employment during June. Estimates of the Bureau of the Census place total employment in June at 61.3 million persons, 1.2 millions greater than in June a year earlier, and a new record. However, unemployment also was up slightly because of the seasonal increase in the size of the labor force between May and June. The number unemployed in June was estimated at 2.2 million persons, compared with 1.8 millions in May and 2.6 millions in June 1947.

INCOME AND RELATED FACTORS

Total personal income, seasonally adjusted, increased to an annual rate of 208.1 billion dollars in May, .7 billions greater than in April and about 19.5 billions larger than in May a year earlier. All of the increase in the total was accounted for by a rise in nonagricultural income. Agricultural income was down slightly in May from April, reflecting lower farm product prices. In June, however, personal income increased substantially as employment and wage rates rose to new records and farm product prices advanced.

Salary and wage payments in May reflected increases in employment in both private business and the government. These payments increased to an annual rate of 126.7 billion dollars, 1.7 billions larger than in April and 9.7 billions greater than in May a year earlier.

Dollar sales at department stores, seasonally adjusted, rose to a new peak in June. The seasonally adjusted index in June reached 311, slightly above the previous high of May and 8 percent higher than June a year ago. The improvement in sales in the second quarter of 1948 has been reflected in a reduction in retail inventories which had risen to an all-time high by the end of March.

Consumer credit outstanding at the end of May was also a record. At 13.8 billion dollars, it was almost 3 billions greater than a year previous. However, the level of consumer credit in relation to retail sales is still below prewar. In May, 1948, consumer credit outstanding was approximately 11 percent of the total value of retail sales, compared with 18 percent in 1941.

COMMODITY PRICES

Commodity prices generally continued to advance in June and in the first half of July. The monthly BLS index of wholesale prices rose from 164 (1926=100) in May to 166 in June, the sharpest monthly advance so far this year. The June index was slightly above the previous postwar high reached in January and was 13 percent above June 1947. By mid-July, the weekly index of wholesale prices was 2 percent above the January peak and slightly above the previous record set in May 1920. Comparison for the several commodity groups is shown in table 1.

Among the various commodity groups, only farm products, hides and leather, and chemicals and allied products averaged below mid-January. Industrial commodities, other than farm products and foods, averaged 2 percent above mid-January and 13 percent above mid-July 1947. Compared with a year ago, farm products were up 9 percent and foods 14 percent.

Table 1. - Group indexes of wholesale prices,
week ended July 17, 1948 with comparisons

(1926 = 100)

Group	Week ended:			Percentage	
	July 17,	Jan. 17,	July 19,	change from	
	1948	1948	1947	Week	Week
	:	:	:	ended	ended
	:	:	:	Jan. 17,	July 19,
	:	:	:	1948	1947
All commodities	: 168.9	165.5	150.3	+ 2	+ 12
Farm products	: 198.1	201.5	182.4	- 2	+ 9
Foods	: 191.2	181.2	168.0	+ 6	+ 14
Hides and leather	: 189.1	201.4	172.7	- 6	+ 9
Textile products	: 148.0	145.7	138.4	+ 2	+ 7
Fuel and lighting materials	: 135.8	130.0	107.1	+ 4	+ 27
Metal and products	: 160.9	153.2	142.9	+ 5	+ 13
Building materials	: 197.9	191.1	174.8	+ 4	+ 13
Chemicals and allied products	: 134.5	140.8	117.9	- 4	+ 14
House furnishings	: 145.9	136.9	131.4	+ 7	+ 11
All other than farm and food	: 150.4	147.4	132.9	+ 2	+ 13

The BAE index of prices received by farmers moved up slightly from June to July, despite the outlook for the largest crop production on record. The July index was 301 (1909-14=100) compared with 295 in June and 276 in July 1947. Crop prices, particularly the grains, have trended downward in recent months but have been offset by advancing prices for livestock and livestock products. Further declines in crop prices are due, particularly in feed grains, in view of the large corn crop in prospect. However, they are likely to be balanced by further increases in prices of livestock and livestock products, since consumer demand for these products is exceptionally strong and supplies are smaller than a year ago. Compared with July 1947, prices received for crops were down 4 percent but prices of meat animals were up 22 percent and dairy products up 23 percent.

The PAE index of prices paid by farmers, interest and taxes remained unchanged from June to July at 251 (1910-14=100), a 9 percent advance over a year ago. The parity ratio - the index of prices received by farmers divided by the index of prices paid, interest, and taxes - moved up 2 points from June to 120, the same as a year ago. The farm wage rate index, seasonally adjusted, advanced to a new record of 431 (1910-14=100) on July 1, 3 percent above April 1, and 7 percent higher than a year ago.

Table 2.-Group indexes of prices received by farmers
July 15, 1948, with comparisons

(Aug. 1909-July 1914 = 100)

Group	:	:	:	: Percentage change	
	: July 15,	: June 15,	: July 15,	: from	
	: 1948	: 1948	: 1947	: June 15,	: July 15,
	:	:	:	: 1948	: 1947
Food grains	: 240	249	251	- 4	- 4
Feed grains and hay	: 256	278	253	- 8	+ 1
Cotton	: 266	284	289	- 6	- 8
Tobacco	: 370	370	390	0	- 5
Oil-bearing crops	: 366	364	314	+ 1	+17
Fruit	: 172	155	215	+11	-20
Truck crops	: 213	213	189	0	+13
All crops	: 253	261	263	- 3	- 4
Meat animals	: 417	390	343	+ 7	+22
Dairy products	: 300	291	244	+ 3	+23
Poultry and eggs	: 234	221	220	+ 6	+ 6
Livestock and products	: 344	326	286	+ 6	+20
Crops and livestock and products	: 301	295	276	+ 2	+ 9

The BLS index of urban consumer prices advanced 2 points to 172 (1935-39=100) for June and established a new record for the second consecutive month. The July index probably will show a further increase.

THE AGRICULTURAL ACT OF 1948

Passage of the Agricultural Act of 1948 extends price support at 90 percent of parity to basic commodities (cotton, wheat, corn, tobacco, rice and peanuts) marketed before June 30, 1950. This means the 1949 crops of these commodities. Of the 13 mandatory Steagall commodities marketed before January 1, 1950, hogs, eggs, chickens, milk and its products, and potatoes harvested before January 1, 1949, are to be supported at 90 percent of parity while the other mandatory Steagall commodities, potatoes, (1949 crop) sweetpotatoes, turkeys, dry edible beans, dry peas, flaxseed, soybeans and American-Egyptian cotton are to be supported at not less than 60 percent of parity and not more than the 1948 support level. Price support for wool at the 1946 price support level is extended to June 30, 1950.

Effective January 1, 1950 the Act amends the parity price and income formulas, changes the definitions of carry-over, normal supply and total supply for basic commodities which had been contained in the Agricultural Adjustment Act of 1938 and provides for a new set of support price schedules and conditions. The change in the definition of parity prices provides for the determination of the relationships among the parity prices of the various commodities on the basis of the average prices of each commodity during the last ten years. The general level of parity prices will continue to be determined by the parity index as now calculated.

The Secretary is given general authority to support prices of agricultural commodities to producers through loans, purchases, payment and other operations.

For the basic commodities a schedule of minimum price supports ranging from 60 to 90 percent of the parity price with variations in the supply is provided. When acreage allotments or marketing quotas are in effect the minimum support price is automatically increased by 20 percent of the support price. Tobacco prices will be supported at 90 percent of parity when marketing quotas are in effect. The maximum support level is 90 percent of parity.

The Secretary is authorized to support prices of nonbasic commodities at any level up to 90 percent of parity taking into consideration the ability and willingness of producers to bring supplies in line with demand and other factors. In addition the Secretary is directed to support prices of wool and potatoes at 60 - 90 percent of parity. A more detailed and comprehensive description of the Agricultural Act of 1948 may be obtained by writing to the Bureau of Agricultural Economics, U. S. Department of Agriculture, Washington 25, D. C.

FARM INCOME

So far in 1948, farmers' income and expenses have been higher than in 1947. But for the average farmer production costs have probably increased more than gross income.

Farmers received a total of 15.4 billion dollars from marketings during the first 7 months of 1948, 4 percent more than in the same period last year. Livestock and livestock products accounted for 9.7 billion dollars and crops for 5.7 billion dollars, both about 4 percent above last year. Prices averaging nearly 8 percent above those in the same months of 1947, have more than offset a small decline in total marketings.

But while prices received and farmers' total cash receipts are up a little, the prices they have had to pay and their total production costs are also higher. Prices paid by farmers for commodities used in production during the first half of 1948 averaged 10 percent higher than prices paid for the whole year 1947 --- and 16 percent higher than prices paid during the first half of 1947.

The cost of hired labor so far this year has been about 5 percent greater than in 1947. Prices of farm machinery, building materials, fertilizer, and various supplies and equipment have all shown a gradual but steady climb. Feed prices have averaged 16 percent higher for the first half of this year than for the full year 1947, although less has been fed. When these and other cost items are taken into account, it seems likely that farmers' net income so far this year may be a little below last year, even though cash receipts are higher.

Marketings in July brought farmers a cash total of around 2.7 billion dollars. This was nearly one-fifth above June, and about the same as a year earlier. While receipts from livestock and products of 1.5 billion dollars were about 3 percent less than in June, crop receipts rose to 1.2 billion dollars, 60 percent above the June level. Farm prices as a whole averaged about the same as in June, with livestock and livestock products prices showing a small gain and crop prices a small decline.

The decreases in receipts from livestock and products from June resulted primarily from seasonal declines in marketings of dairy products and eggs. There was little change in marketings of meat animals. Crop receipts in July showed about the usual seasonal increase over June, and were approximately the same as in July 1947. Heavy marketings from the large wheat, oat, and early potato crops accounted for most of the increase over June.

Marketings of all major groups of livestock and livestock products were down substantially from a year earlier but this was offset by price rises and cash receipts changed little. Both marketings and prices of all crops combined remained close to the 1947 level.

LIVESTOCK AND MEATS

Meat supplies during the remainder of 1948 are expected to continue moderately below a year earlier. In the first half of the year, commercial production apparently totaled around 7 percent less than in the same period of 1947, and in the second half it may be down 10 percent from last year. Meat production is expected to decline seasonally and to reach the lowest level of the year in the late summer and early fall.

As meat supplies decrease, retail and wholesale prices of meat are expected to rise. Demand for meat probably will continue stronger than a year earlier because of higher wages and other incomes. Retail prices in early July generally were the highest on record.

Prices of hogs and good and choice fed cattle are expected to increase further this summer. Marketings of grass-fat cattle and lambs will increase seasonally during that period but prices are likely to decline less than usual and the decline will start from record levels.

Fewer fed and grass-fat cattle are expected to be marketed during the second half of 1948 than a year earlier. Fewer cattle are now on grain feed and total steer and heifer slaughter is being held down by smaller inventories.

Total cattle numbers in the United States have declined steadily since January 1, 1945, when they were estimated at 85.6 million head, the all-time peak. By January 1, 1948 they had fallen 8 percent to 78.6 million head. The decrease in the number kept for milk was 9 percent during that period. Total cattle numbers declined in all regions but reduction were largest in the Western part of the Corn Belt and in the Plains States. Beef cattle were reduced more in the Corn Belt than in the Western Range. Dairy cattle numbers were reduced most in the West North Central and South Central regions, and held up best in Atlantic regions.

If the record corn crop now forecast is realized, more cattle will be grain fed this fall and winter and demand for stock for feeding will strengthen. Since the total lamb crop is down the number of lambs fed this fall and winter may be no larger than a year earlier since fewer will be available. The large feed grain crops will also cause a delay in marketing of 1948 spring pigs for feeding out on new crop grains. With record supplies of grain per animal unit in prospect, hog slaughter weights in the 1948-49 hog marketing year are expected to be extremely heavy. Delayed marketing of the 1948 spring pig crop and a fall pig crop about equal to that in 1947 would increase the hogs on farms January 1, 1949 moderately above those on January 1 this year. Hog slaughter in the remainder of 1948 is expected to continue below 1947 since there were fewer hogs on farms June 1 than a year earlier.

A large corn crop this year probably will result in a sharp increase in next year's spring pig crop, but that crop will not be ready for market until late 1949.

DAIRY PRODUCTS

Consumption of fluid milk and cream in the first half of 1948, for the Nation as a whole, was about the same as in the same period of 1947, although slightly smaller on a per person basis. The effects of higher retail prices were almost entirely offset by larger consumer incomes. In the New York City area, milk prices in June were 25 percent higher, and reported consumption was 3 percent less than in June 1947. In 25 major cities of the United States, the retail price in early July was 20.8 cents per quart, this year compared with 18.5 cents per quart in July 1947, an increase of 12 percent.

Because of fewer cows and less favorable price relationships between feed and milk, production of milk on farms in the first half of 1948 was 4 percent smaller than a year earlier. With the very high crop yields in prospect and more favorable relationships between dairy and feed prices, farmers will feed their cows at higher rates and may tend to cull herds less closely than in some months of 1947. As a result, total milk flow will tend to decrease less than a year earlier in coming months and toward the end of the year may equal or even exceed last year's level.

Civilian supplies of milk and dairy products during the remainder of 1948 as a whole will be slightly smaller than a year earlier, and seasonally smaller than in the first half of this year. Retail prices of most dairy products will continue substantially higher than last year through the remainder of 1948, though the degree of increase over 1947 will become less toward the end of the year.

Purchases for export so far in 1948 are considerably smaller than in other recent years, however, they are large enough to be a factor in the current demand for dairy products.

POULTRY AND EGGS

Domestic demand for poultry and eggs is likely to continue very strong through the remainder of 1948. This prospect arises from the facts that consumer incomes will be at record levels and red-meat supplies will be smaller and prices higher than in the second half of 1947. Supplies of both chicken meat and eggs will be slightly smaller than in the second half of last year, and prices will be somewhat higher. Supplies of turkey will be considerably smaller than in 1947 and prices will reach a new record.

Unfavorable relationships between egg prices and feed prices in the first half of this year led to a sharp reduction in numbers of chickens raised and to heavier culling. In June, the number of layers was 4 percent smaller than a year earlier. The number of chickens raised on farms in 1948 is down 15 percent from 1947. Prospects for large feed supplies and more favorable price relationships will provide strong incentives for farmers to keep larger than usual proportions of potential laying stock. However, numbers of layers and egg output are likely to continue below a year earlier during the remainder of 1948. On January 1, 1949, numbers of layers probably will be 5 to 10 percent less than a year earlier.

Egg production for the remainder of 1948 will be supplemented by storage stocks which on July 1 were substantially larger than a year ago. Supplies of eggs in the remainder of the year will be only slightly smaller than a year earlier. Per capita consumption for 1948 as a whole will nearly equal the 380 eggs consumed in 1947.

Marketings of chickens from egg-producing flocks will be substantially smaller in the rest of 1948 than last year. However, marketings of broilers will be considerably greater. Supplies of chicken per person will be nearly as great in 1948 as the 23.4 pounds consumed last year and around one-fourth greater than in 1935-39.

FATS, OILS, AND OILSEEDS

Partly as a result of favorable crop prospects for cottonseed and soybeans this fall, prices of cottonseed, soybean, corn, and peanut oils declined sharply in mid-July from the unusually high levels of April-June. Prices of coconut and tung oils declined moderately in July. Prices of animal fats were about the same in July as in June. Since consumer income is expected to remain high, the level of fat-and-oil prices in 1948-49 probably will average nearly as high in 1947-48. The 26-item index in October 1947-July 1948 averaged 286 (1935-39=100) compared with 155 during most of the war.

The total planted acreage of 4 major oil crops in the United States this year was 43.9 million acres compared with 42.7 million a year earlier. The acreage of cotton in cultivation July 1, 1948 was 10 percent larger than a year earlier. The acreage of soybeans harvested for beans may be 11 percent less than in 1947, but an average yield per acre in 1948 would result in a moderate increase in production over last year's 181 million bushels. Indicated production of flaxseed in 1948 is 43.7 million bushels, nearly 4 million bushels larger than last year and the third largest of record. The acreage of peanuts picked and threshed may be slightly smaller than last year.

Present prospects for the year beginning October 1948 are for a moderate increase in total production of cottonseed, soybean, corn, and peanut oils -- the vegetable oils used chiefly for food. This increase, however, probably will be partly offset by a slight decline in lard production reflecting a reduced 1948 pig crop. The June Pig Crop Report estimated a decline of 3 percent in the spring pig crop and indicated a reduction of 1 percent in the fall pig crop assuming the 1937-46 average number of pigs saved per litter. Butter production may continue in 1948-49 at about the present relatively low level.

Output of inedible tallow and grease, the leading soap fats, probably will be moderately smaller in 1948-49 than a year earlier. Production of grease will be adversely affected by reduced hog slaughter, and with cattle numbers on farms declining, cattle slaughter and tallow production may be reduced. Imports of coconut oil (including oil content of copra) and palm oil may be somewhat larger than in 1947-48. Exports of Philippine copra were reduced in 1947-48 partly as a result of typhoon damage. Production of palm oil is being resumed in the Netherlands, Indies, and exports are expected to be forthcoming in increasing volume by early 1949.

A relatively abundant supply of drying oils in 1948-49 is in prospect as a result of the large crop of domestic flaxseed. Also, import supplies of tung oil and castor beans probably will continue to be readily available, and substantial quantities of domestic soybean oil can be drawn upon for drying-oil uses.

CORN AND OTHER FEEDS

Feed grain prices declined during June and early July, influenced by the harvesting of the large crops of oats and wheat, and by very favorable prospects for corn. Corn prices declined moderately, while oats and barley prices declined more than seasonally. Prices of feed grains and many of the byproduct feeds were lower in July than a year ago, when feed prices were rising rapidly.

Prices of feeds generally are expected to decline further this fall. The record corn crop is expected to result in more than the usual seasonal drop in corn prices from August to November. In July corn prices were high in relation to other grains and wheat millfeeds.

Ample feed supplies are in prospect for the 1948-49 feeding season. A record corn crop of over 3.3 billion bushels was estimated July 1, and a large oats crop is being harvested. The total supply of all feed concentrates - including feed grains, byproduct feeds, and the expected quantity of wheat and rye to be fed - is 16 percent larger than in 1947-48 and about equal to the large supplies of 1942-46. The number of livestock to be fed during 1948-49 is expected to be about the same as during the current feeding year. Prospects are that the supply of concentrates per livestock unit will be the largest on record. Since supplies of feed grains will be ample in the October 1948-September 1949 feeding season, wheat feeding probably will be reduced considerably from 1947-48.

The hay supply, estimated in July at 110 million tons, is about 7 percent smaller than the large supply last year, but is expected to be adequate for the fewer livestock on farms. Pastures were in about average condition on July 1.

Domestic disappearance of feed grains during April-June was about 20 percent smaller than a year earlier and the smallest for that quarter since prewar. Corn disappearance was about one-fourth smaller than during that quarter in 1947. Stocks of corn on July 1 were 36 percent smaller than a year earlier and the smallest since 1937.

WHEAT

Prices of new crop winter wheat in late July were below the loan level. The loan program and heavy movement into storage, however, is expected to strengthen prices as the season advances. Storage has been heavy and cars inadequate, so that for the time being the Association of American Railroads has placed embargoes on shipments for storage into all terminals in the Southwestern winter wheat area. Wheat to be offered for sale is still permitted to move. The shortage of cars to move the large crops presents a difficult transportation situation again this year. For the 1948-49 marketing year as a whole prices are expected to average moderately above the loan level. However, they are not likely to average nearly as much above the loan rate as in 1946-47 and 1947-48 because of the increase in the size of the carry-over from the low levels of the past two years, and the plentiful supply and lower cost of other grains. Prospects for the growing 1949 crops may again be an important price factor beginning in late 1948.

United States wheat supplies in 1948-49 are now estimated at 1,437 million bushels. The crop, estimated at 1,242 million bushels is second only to the record of 1,365 million in 1947. The carry-over, reported at 195 million bushels, is approximately 110 million bushels above a year earlier, but still below the prewar average. Total supplies are almost as large as last year's which were exceeded only in 1942-43 and 1943-44 when stocks at the beginning of each year were at record levels.

Domestic disappearance in 1948-49 may total about 750 million bushels including 510 million bushels for food, 150 million for feed, and 90 millions for seed and alcohol. Out of a total supply of 1,437 million bushels, this would leave 687 millions for export and carry-over. A preliminary analysis of supplies which may be available in other exporting countries and probably takings by importing countries indicate that exports from the United States may total about 450 million bushels. On this basis the carry-over July 1, 1949 would be about the 1932-41 average of 235 million bushels.

Wheat disappearance in 1947-48 was the third largest on record. Exports are estimated at about 485 million bushels. This includes flour in terms of wheat and shipments of 4 million bushels to U. S. territories. Domestic disappearance was approximately as follows, in million bushels: Food 498, seed 91, alcohol 1, and feed 179, making a total of 769 million bushels.

The wheat crop for 1948 in Europe, excluding the Soviet Union, is tentatively forecast at 1,450 million bushels compared with 1,015 million in 1947 and an average of 1,588 million in the prewar years. Larger crops than in 1947 are reported for all countries. In the Soviet Union, the outlook indicates that total grain production will be about the same or slightly less than in 1947, much larger than in 1946, but still below the prewar average.

Crop prospects in Canada deteriorated steadily from the middle of May through June because of drought. Rains in the first week in July came too late for any extensive recovery and yields will be light in the Western half of Saskatchewan and in East Central Alberta.

Despite the marked recovery in production of European breadgrains this year, several considerations point to a continued need for substantial imports by the traditionally deficit areas. These include, increased population, extremely low reserves of grain in many areas, the need to increase bread rations from the low level of the past year, and low quality bread resulting from high extraction rates.

FRUIT

Demand this summer and fall for fruit for fresh use and for processing is expected to be about as strong as last year. Commercial export demand is likely to be no greater than in the 1947-48 season, and probable exports under the ECA program are still uncertain. Prices that growers will receive for most fruits during August - October are expected to be about the same as last year, and to decline seasonally as marketings increase. Total supplies of fruit will be a little smaller this summer than last.

If production turns out as estimated on July 1, the 1948 crop of 8 major deciduous fruits--apples, apricots, cherries, grapes, peaches, pears, plums, and prunes--will be about 8 percent smaller than the 1947 crop and slightly below the 1937-46 average. The largest decreases from 1947 would be:

pears, 25 percent; peaches, 15 percent; and commercial apples, 11 percent. Production of apricots is estimated to be 35 percent larger than last year, and that of cherries is 12 percent larger. Partly because of these changes in production from last year, prices to growers are expected to average higher this year for pears, apples, and peaches, but lower for apricots and possibly also sour cherries.

Supplies of oranges, mostly California Valencias, will be moderately smaller this August and September than a year ago and prices are likely to be somewhat higher. Supplies of canned citrus juices will be larger in these months than in the summer of 1947, while those of canned, frozen and dried fruit probably will be about as large as last year.

The 1948 domestic pack of commercially canned fruits may turn out nearly as large as the 1947 pack. The canned packs of apricots and sour cherries are expected to be larger than last year, peaches probably will be about the same as last year, sweet cherries may be nearly as large, while the pear pack will be smaller. The commercial pack of frozen fruit is expected to be moderately larger than last year, partly because of a considerable increase in the pack of strawberries. The dried fruit pack probably will be large again this year.

COMMERCIAL TRUCK CROPS

For Fresh Market

Prices received by farmers for lima beans, snap beans, cucumbers, green peas, green peppers, tomatoes, and watermelons probably will average higher in August and September than in the same months of 1947. On the other hand, lower prices this year are expected in those months for cabbage, carrots and celery. Prices received for cauliflower and spinach in August probably will be near those of a year earlier but in September probably will be lower. Prices for lettuce this August probably will be considerably lower than the record-August prices received last year, but in September are expected to be near the more moderate level of September last year.

The monthly index of prices received by growers, which is based on 11 crops, is expected to decline through August and September, and probably will be near the level of a year ago. Last year the index rose temporarily and contra-seasonally in August, principally because prices of cabbage and lettuce increased sharply to a new August record.

Total production of commercial truck crops grown for fresh market this summer is expected to be from 5 to 10 percent smaller than a year earlier.

For Processing

Total production of truck crops for commercial processing is expected to be moderately smaller this year than last. July 1 indicated production of snap beans and acreage of green lima beans, beets for canning, and acreage of cabbage contracted for kraut are larger than last year, but are more than offset by lower production of green peas, and lower acreages of cucumbers for pickles, pimientos, tomatoes, and sweet corn.

Stocks of both canned and frozen vegetables are lower than a year earlier, and prices paid to farmers by processors probably will not be much lower this year than last. Both procurement and operating costs of canners and freezers continue high. With generally smaller stocks and continued strong consumer demand, no extensive reductions in retail prices of canned or frozen vegetables is expected this year.

POTATOES AND SWEETPOTATOES

With the total 1948-crop of potatoes now estimated to be about 2 percent larger than last year's, further government purchases for price support seem likely. Because the crop of potatoes in the early States this year was substantially larger than a year earlier, and price supports were higher, the Government bought nearly 11 million bushels of potatoes through July 15. Although general business conditions are expected to continue strong through 1948, the per capita consumption of potatoes is expected to continue its long-time downward trend.

Prospects are that the sweetpotatoe crop will be the smallest since 1924, 13 percent smaller than the 1947 crop and about one-fourth smaller than the 1937-46 average. Per capita supplies will be the smallest yet recorded. Prices received by growers probably will average somewhat higher than those received for the 1947 crop. Prices received by growers for the 1947 crop were somewhat lower than might have been expected in view of the moderate sized crop and the continued high level of employment and income.

DRY EDIBLE BEANS AND PEAS

Grower prices for specified varieties of 1948-crop dry smooth peas will be supported by the Department of Agriculture at levels about 9 percent higher than those for 1947-crop peas. The support prices are based upon 90 percent of the July 1, 1948, comparable (substitute parity) price of \$5.25 per 100 pounds, which is about 9 percent higher than the comparable price a year earlier.

Alaska, Bluebell, Scotch Green, First and Best, Marrowfat, and White Canada varieties that grade U. S. No. 1 after normal cleaning will be supported at \$4.80 per 100 pounds of sound peas, and Colorado whites similarly at \$4.50. Supports for No. 2 peas will be 25 cents less than those for No. 1 grade.

Support to both dry peas and beans will be given by purchase agreements as well as by non-recourse loans. With respect to the latter growers will be paid the difference between the loan rate and the higher support price, in the event that these commodities are tendered in payment for the loan. Support prices for 1948-crop beans will be based upon 90 percent of parity as of September 1, and will be announced later.

The 1948 crop of dry beans is expected to be about 6 percent larger than the 1947 crop and about 9 percent larger than the 1937-46 average. But the new crop of dry peas is estimated to be less than half as large as the 1947 crop and only 57 percent of average. The quantity of peas from the new crop available for export or use in occupied areas abroad will be sharply reduced from last year although there is likely to be a larger supply of beans. Prices of both are expected to be above support levels during the marketing year. On July 15, 1948 prices received by growers for beans were considerably above supports, and those for peas were slightly above.

COTTON

Prices of spot cotton have been declining steadily since June 22 and on July 30 were lower than at any time since February. Middling 15/16" averaged 32.74 cents per pound in the ten spot markets on July 30, compared with 35.17 on June 30, 37.75 on May 28 and 36.27 a year earlier. The price of Middling 15/16" at the 10 spot markets averaged 34.58 cents for the crop year ended July 30 compared with 34.82 cents in the preceding crop year and the 1935-39 average of 10.66 cents.

Due to the premium commanded by spots over future deliveries, demand for spot cotton continues to be slow, except possibly in Texas where new crop cotton is being taken in some volume.

Domestic consumption for the 11 months, August-June, was reported at 8,719,452 bales, only 628,000 bales less than during the same period in 1946-47. A full season consumption of at least 9,300,000 is practically assured. If the July decline is no greater than usual, consumption will reach at least 9,400,000 bales.

Exports, on the other hand, are low. During May, only 205,000 bales were exported. The ten months total, August-May, is 1,686,000 bales, compared with 3,157,000 in the corresponding period last year.

WOOL

Demand during July for fine staple wools continued strong in both domestic and foreign markets and prices showed little change from the previous month. Fine wool prices are expected to remain at present high levels or increase slightly, at least until the new Southern Hemisphere clip becomes available in the fall.

Because of the strong demand for fine and half-blood wools, Commodity Credit Corporation holdings of such wools are being reduced rapidly. By the end of May, fine and half-blood wools constituted only 33 percent of total CCC stocks compared with 49 percent on December 31, 1947. Holdings of such wools were only 48 percent as large as at the beginning of the year, while stocks of all other grades combined showed a net reduction of only 5 percent.

Imports of apparel wool for consumption during April-May were 29 percent below last year. This probably reflects the price increases in foreign markets. During January-May, imports of apparel wool totaled 235 million pounds (actual weight basis), 5 percent below a year ago.

During January-May, domestic mills consumed 428 million pounds, grease basis, of apparel wool, consisting of 209 million pounds of domestic and 219 million pounds of foreign wool. Average weekly mill consumption, scoured basis, during this period was 4.7 percent below the rate for the same period in 1947.

TOBACCO

Auctions in Georgia-Florida markets for the 1948 flue-cured crop, approximately 23 percent smaller than last year began in late July at prices about 15 percent higher than last year's early season prices. Domestic consumption of flue-cured in the year ending June 30, 1948, was higher than the previous year as cigarette manufacture set a new fiscal year record. Wholesale prices of several leading brands of cigarettes were advanced 5 percent in late July. Many consumers will pay 1 cent more per package. The consumption of cigarettes is expected to continue at a high level during the year ahead. This, together with the larger flue-cured exports in prospect as the European recovery program gains momentum, will probably maintain prices above the support level. During the past year, tobacco exports declined sharply because of the limited dollar exchange available to foreign customers. The average level of price support applicable to the 1948 flue-cured crop is 43.9 cents per pound--10 percent above last season's loan rate. The 1947 season average price received by flue-cured growers was 41.2 cents per pound.

Weekly average prices of Maryland tobacco sold at auctions have fluctuated quite moderately during the season so far. The average price of auction sales through July was 42.9 cents, 1.8 cents less than the average for last season. On July 1 the 1948 crop was indicated at 5 percent less than the 1947 crop now marketing.

Indicated production of Burley in July was 2 percent lower than last year. Large Burley consumption is also being sustained by high cigarette consumption. Smoking and chewing, other major outlets for Burley, are not expected to show much change from the level in the recent 2 fiscal years. Consumption, as indicated by tax-paid withdrawals of smoking and chewing in July 1947-June 1948, totaled 206 million pounds, only 1 percent above the previous year. Burley exports, though four times prewar in the past year, account for a much smaller proportion of total disappearance than in the case of flue-cured.

OFFICIAL BUSINESS

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Dark tobacco exports are being stimulated by a United States Department of Agriculture export subsidy program. The program was designed to export several million pounds of 1946 crop fire-cured and dark air-cured tobacco by payments to exporters of one-third of the f.a.s. sales price of the tobacco. Production of fire-cured and dark air-cured were indicated in July at 21 and 16 percent below last year but stocks are fairly large.

The indicated production of cigar tobacco this year is 4 percent lower than last year. Cigar filler (types 41-44) was only slightly down, but cigar binder was 10 percent lower. On the other hand, the prospective production of shade grown wrapper was up 8 percent. From February to April, tax-paid withdrawals of large cigars ran 7 percent above the same months last year, but in May dropped 6 percent below May 1947. The June tax-paid withdrawals were 11 percent above the relatively low June 1947 figure. There have been recent wholesale and retail price increases of some popular brands. Cigar tobacco exports in the past year have been substantially above average.

